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~~(SECTION 1)~~CHICAGO TRIBUNE  
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# U.S. plugged into weapons network

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WASHINGTON—The Reagan administration, in its efforts to influence events in post-revolutionary Iran, tapped into a shadowy international network of arms dealers and smugglers created to funnel weapons to the regime of Ayatollah Ruhollah Khomeini.

Since the U.S. embargo on arms shipments to Iran in 1980, this network has delivered billions of dollars worth of American weapons to Tehran and played an essential role in prolonging Iran's war with Iraq, now in its seventh year.

Congressional investigators examining President Reagan's possible use of this network have been told that the Central Intelligence Agency set up a secret Swiss bank account to receive \$12 million in payments from Iran for weapons.

This raises the question of how long the CIA has been involved in covert arms shipments to Iran. Investigators also want information on the agency's involvement in two shipments by Israel in 1985.

These developments appear to blur the distinction between arms deals negotiated by the smugglers on behalf of the U.S. government and deals the smugglers undertook for themselves.

Court records, government documents and interviews have uncovered many elements of the international arms network and produced evidence contradicting government assertions that the U.S. did not sanction earlier arms shipments.

The network is so extensive that federal prosecutors have initiated twice as many cases involving shipments to Iran as they have involving illegal exports to the Soviet Union.

Yet the network continues to thrive. Law enforcement sources said the U.S. Customs Service in New York is investigating 15 separate schemes involving attempts to ship weapons to Iran and a major indictment is expected soon on the West Coast.

"If it turns out Iran is our friend, we're going to have a lot of trouble sorting out the good guys from the bad guys," one law enforcement official said.

There is evidence the CIA and Israel played a role in covert arms deals with Iran long before the of-

This is another report in an occasional series of articles examining international weapons trafficking.

icial, clandestine Reagan administration effort began 18 months ago.

One intelligence source said the CIA could have been involved in arms deals with Iran since the beginning of the Reagan administration in 1981.

A White House official confirmed Friday that Israel consistently has supplied Iran with weapons since shortly after Khomeini came to power in 1979. The flow of arms continued, the official said, despite protests by the U.S. State Department and an Israeli pledge to halt the shipments in 1982.

Israeli officials have said they never have shipped weapons to Iran without U.S. approval. But the White House source said Israel has sent arms to Iran over the years without American agreement, including two deliveries in August and September of 1985 that, the source said, Reagan did not know about in advance.

But when the second shipment led to the release of American hostage Rev. Benjamin Weir, the U.S. embraced the Israeli actions and Reagan later approved a secret directive that led the White House directly into the arms network supplying Iran.

The roots of the Iranian network—and, in a sense, of the controversy embroiling Reagan—lie in the weapons the U.S. provided Iran under the shah in the 1970s when his country was a U.S. ally and served as a vital buffer against Soviet penetration of the oil-rich Persian Gulf.

That arsenal contained some of America's most sophisticated weapons, including F-14 jet fighters, Hawk antiaircraft missile batteries, TOW antitank missiles and advanced radar systems. Iranians were trained at U.S. military bases to use and maintain the weapons, and even today, experts say 95 percent of Iran's air force weaponry is American-made.

But the grueling war with Iraq has depleted Iran's arms reserves and spawned an international black market in American spare parts and weapons, including all of the weapons sold to Iran with the approval of the Reagan administration.

Administration officials have acknowledged selling TOW missiles and Hawk missile parts to Iran.

Details remain sketchy about precisely how the administration got its arms into Iran, but government officials have acknowledged that CIA agents were used and contacts were arranged through an expatriate Iranian arms dealer in Europe.

It also has been confirmed that the U.S. approached another Iranian expatriate, Cyrus Hashemi, about negotiating arms deals. Through him, the official and unofficial arms operations merged.

Hashemi left Iran in the 1960s to live in Europe and the U.S., but he maintained important contacts with Iranian military and political figures. Several sources confirmed that in 1980, he was contacted by CIA agents desperate to open private channels of communication with political figures in Tehran, where 52 Americans were being held hostage by Khomeini's Revolutionary Guards.

The extent of Hashemi's work on behalf of the CIA is unknown and the agency is fighting to avoid having its files on him released as part of an arms-smuggling case in federal court in New York.

What is known is that, while he was negotiating with Iran on behalf of the CIA, Hashemi and two of his brothers also were involved in an attempt to smuggle arms to Iran.

A former government official familiar with that effort said the Hashemis may have been working the arms deal with CIA involvement. One brother, Jamshid, told a London television network that the American government allowed his brother to ship materiel to Iran.

"Because he was an important figure in the hostage situation and because of that, they were letting him export these articles to Iran," Jamshid Hashemi told Thames TV.

Internal CIA documents on the Hashemis obtained by The Tribune are heavily censored, but they show the CIA was aware the brothers were shipping goods to Iran in 1980.

The brothers were indicted in 1984 on charges of conspiring to ship military goods to Iran, but Cyrus Hashemi was abroad at the time and thus not arrested. Jam-

shid Hashemi fled to London after being tipped by the CIA, according to a law enforcement source and a nongovernment source. A third brother eventually pleaded guilty and went to prison.

Cyrus Hashemi lived in London, out of reach of U.S. law. But his legal troubles eventually led to a scheme that exposed details of what federal authorities describe as the way the international arms network functions—a world of high-powered contacts, phony documents and multimillion-dollar deals.

It began when Hashemi contacted Samuel Evans, a London lawyer he had met through an earlier business deal with Adnan Khashoggi, a Saudi Arabian whose worldwide business interests have earned him the reputation as the world's richest man.

According to Evans, Khashoggi's lawyer for 10 years, the Saudi Arabian and Hashemi intended to trade oil from the Iranian national petroleum company and supply arms to Iran. But Evans said the project never got anywhere and the men parted in August, 1985.

Soon after, Evans said, Hashemi approached him with a plan to sell arms to Iran and Evans contacted people familiar with the arms business.

Over the next few months, Evans served as the middleman between Hashemi and three separate groups of arms dealers that promised to supply \$2.5 billion worth of American weapons for Iran. That transaction would mean millions in commissions for each participant.

The groups included a retired Israeli general, Abraham Bar-Am, and an expatriate American living in France, John de la Roque.

Unknown to Evans and the others, Hashemi had gone to the U.S. Customs Service and had become an informant in an attempt to win leniency on his previous indictment.

Hashemi's two partners in the deal actually were Customs agents, and conversations between the participants were recorded secretly.

The transcripts show that Hashemi was an expert on the arms market. A U.S. ally, for example, cannot legally transfer American arms to a third country without a document called an "end-user certificate." The certificate designates the final destination of the arms and ensures that they won't be sent to an unfriendly nation, such as Iran.

But Hashemi told the participants that they could buy end-

user certificates from a U.S. ally willing to say it was the final destination.

In turn, the sellers kept insisting that Hashemi post a \$300 million letter of credit to prove that he had the support of the Iranian government and allow the deal to go forward.

Some of the American arms, including tanks, TOW missiles and Hawk missile parts, were to be sent by ship from Israeli surplus stocks to an Iranian port. A number of airplanes involved were to be flown from Israel to an airport in Turkey, where they would be picked up by Iranian pilots.

But last April, as Bar-Am and Evans arrived in Bermuda for further negotiations, they were arrested and jailed. Eventually, 13 men from 5 countries were indicted by a federal grand jury in New York on charges of conspiring to violate U.S. law by shipping arms to Iran using illegal documents. The trial is set for next February.

In pretrial hearings, defense attorneys have maintained their clients thought the deal had been approved by Israel and the U.S. They said such vast quantities of arms could not have been moved to Iran from Israel without U.S. government approval.

In one taped conversation, Evans said he had gone to Israel and defense officials had told him they approved of the deal.

Two Israeli businessmen involved in the proposed deal were told by registered arms dealers in Israel that Israel often shipped weapons to Iran with tacit approval of the U.S. government, according to Jonathan Marks, a defense attorney.

The lawyers also have pointed to

taped conversations in which De la Roque said the U.S. was on the verge of changing its policy toward Iran and that high-ranking U.S. officials had approved the arms deal.

Lorna Schofield, the prosecutor, rejected the defense contentions and said the government intends to continue the prosecution.

Sometime when he was working with the Customs Service, Hashemi resumed contacts with the CIA, according to government sources and his former lawyer, Elliott Richardson, attorney general under President Richard Nixon.

Richardson confirmed that he arranged a contact between Hashemi and U.S. officials involved in the effort to open negotiations with Iran within the last year.

Other sources said the CIA tried to use Hashemi in an attempt to establish communications with leaders of some of the factions fighting for control in Tehran. The sources said they did not know whether he had been successful.

Hashemi's real role may never be known.

The CIA is objecting to defense efforts to obtain its files on Hashemi. A law enforcement source familiar with the files said they detail extensive contacts between the agency and Hashemi.

Hashemi died July 21 in London. The official autopsy results, which have not been released, show he succumbed to leukemia complicated by a stroke, a government official familiar with the report said.

But Hashemi's friends and relatives said he had passed a physical examination six months earlier and had played a vigorous game of tennis three days before his death.